

Message Text

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ACTION EUR-12

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R 101140Z MAR 76

FM AMEMBASSY REYKJAVIK

TO SECSTATE WASHDC 6109

INFO COMICEDEFOR

CINCLANT

AMEMBASSY BONN

USMISSION EC BRUSSELS

AMEMBASSY COPENHAGEN

USDEL MTN GENEVA UNN

USMISSION GENEVA

AMEMBASSY LONDON

USMISSION OECD PARIS

AMEMBASSY STOCKHOLM

USNATO 1371

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E.O. 11652: N/A

TAGS: ETRD, MTN, GATT, PFOR, IC, UK

SUBJECT: ICELAND-UK FISHERIES DISPUTE: OPPOSITION PARTY

PROPOSES HIGHER DUTIES ON BRITISH GOODS

1. SUMMARY. (BEGIN UNCLASSIFIED) TAKING ADVANTAGE OF THE CURRENT ANIMOSITY TOWARD BRITAIN, THE COMMUNIST-DOMINATED PEOPLE'S ALLIANCE PROPOSED A BILL IN THE ALTHING PROVIDING FOR A 25 PER CENT IMPORT DUTY ON BRITISH GOODS TO FINANCE THE ICELANDIC COAST GUARD. THE GOVERNMENT OPPOSES THE MEASURE, WHICH APPEARS TO BE A DOMESTIC POLITICAL PLOY BY THE PA TO EMBARRASS THE GOVERNMENT RATHER THAN A GENUINE EFFORT TO AID ICELAND.
END SUMMARY.

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2. BACKGROUND. THE BILL HAS BEEN INTRODUCED INTO THE UPPER

HOUSE AND CALLS FOR A 25 PERCENT ON ALL BRITISH GOODS TO FINANCE ADDITIONS TO THE ICELANDIC COAST GUARD. IT ARGUES THAT THIS IS EQUITABLE BECAUSE THE BRITISH ARE DEPLETING ICELAND'S FISH STOCKS, AND BECAUSE ICELAND HAS REDUCED TARIFFS TO BRITAIN IN ACCORDANCE WITH THE SPECIAL AGREEMENT WITH THE EC, WHEREAS BRITAIN HAS NOT LOWERED ITS TARIFFS ON ICELAND'S MAIN EXPORT ARTICLES (IE FISH).

3. ICELAND IMPORTED 8.7 BILLION IKR (ABOUT \$60 MILLION) FROM BRITAIN LAST YEAR, COMPARED WITH EXPORTS OF 4.7 BILLION IKR (ABOUT \$30 MILLION). PROONENTS OF THE BILL SAY THAT THE SPECIAL DUTY WOULD HURT UK BY DIRECTING A SUBSTANTIAL PART OF ICELAND'S TRADE TO OTHER MARKETS. ONE PROGRESSIVE PARTY MEMBER HAS CALLED FOR A COMPLETE EMBARGO, BUT TWO OF HIS INDEPENDENCE PARTY COALITION PARTNERS SPOKE AGAINST THE PAS BILL ON GROUNDS IT WOULD HURT BOTH BUSINESS AND CONSUMERS.

4. THE ONLY CABINET OFFICIAL TO SPEAK ON THE BILL WAS FOREIGN MINISTER EINAR AGUSTSSON (PP), WHO ARGUED AGAINST THE MEASURE SAYING "WE MUST ADHERE TO THE EC AGREEMENT ON LOWERING TARIFFS, EXCEPT IF WE GIVE NOTICE ON THE AGREEMENT." HE THEN ADDED THAT HE WAS NOT SO NEGATIVE AS TO THINK THE FISHING LIMIT WAR WOULD LAST VERY LONG. (END UNCLASSIFIED.)

COMMENT: (BEGIN LIMITED OFFICIAL USE) PRESENT PUBLIC REACTION WOULD GENERALLY SUPPORT THE PA VIEW, IGNORING THE CONSEQUENCES OF THE ANTI-BRITISH MEASURES. ALTHOUGH THE PA IS ANXIOUS TO EMBARRASS THE GOVERNMENT BY REQUIRING A VOTE, THE BILL IS LIKELY TO BE PIGEON-HOLED. OBVIOUSLY ICELAND WOULD SUFFER MORE IN A TRADE WAR WITH THE UK. (END LIMITED OFFICAL USE).

IRVING

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